

EXHIBIT A

STANDING COMMITTEE REPORT NO.

3068

Honolulu, Hawaii

APR 15, 1994

Honorable Norman Mizuguchi
President of the Senate
Seventeenth State Legislature
Regular Session of 1994
State of Hawaii

Sir:

RE: S.C.R. No. 40

Your Committee on Science, Technology and Economic
Development, to which was referred S.C.R. No. 40 entitled:

"SENATE RESOLUTION REQUESTING A STUDY ON THE FACILITATION OF
RENEWABLE ENERGY RESOURCES UTILIZATION,"

begs leave to report as follows:

The purpose of this Concurrent Resolution is to request that
the Public Utilities Commission (PUC) conduct a study on the
facilitation of renewable energy resources utilization.

Specifically, this Concurrent Resolution urges the PUC to
conduct a systematic examination of other states' regulatory
policies and procedures which facilitate the development and use
of renewable resources. The final report to the Legislature must
contain a summary of the policies examined, identification of
elements applicable to Hawaii, and recommendations for
implementation of such elements.

Your Committee finds that the State has the willingness and
the resources to become energy self-sufficient through the use of
renewable sources of energy such as wind, biomass, and solar.
Unlike so many other states, Hawaii has not adopted regulatory
policies to facilitate and encourage the development of these
resources. The study requested by this Concurrent Resolution,
together with the legislation and regulatory programs that may
result, would substantially forward the State of Hawaii's
pronounced goals of energy self-sufficiency and promotion of
renewable energy sources.

Testimony in support of this Concurrent Resolution was received from the Department of Business, Economic Development, and Tourism, the Department of Commerce and Consumer Affairs, the Public Utilities Commission, the Consumer Advocate, and the Pacific International Center for High Technology Research.

Your Committee has amended this Concurrent Resolution by incorporating the substance and intent of Senate Concurrent Resolution No. 41, entitled "Urging Hawaii's Electric Utilities to Explore and Utilize Wind Systems to Satisfy a Greater Proportion of Hawaii's Electrical Generation Requirements" and Senate Concurrent Resolution No. 42, entitled "Urging Hawaii's Electric Utilities to Explore and Adopt 'Green Pricing' and Other Administrative and Technological Options Which Would Facilitate the Use and Development of Renewable Energy Systems in Hawaii." These resolutions were similarly supported by the Department of Business, Economic Development and Tourism, the Public Utilities Commission, the Consumer Advocate, and the Pacific International Center for High Technology Research. However, your Committee has concluded that rather than placing the burden of examination and adoption of these renewable energy initiatives upon the electrical utilities, the PUC should be responsible for the study and recommendation regarding renewable energy initiatives. Accordingly, the Concurrent Resolution has been amended by expanding the scope of the study to include the review of:

- (1) Regulatory or statutory incentives for utilities to develop, purchase, and use renewable energy sources;
- (2) Wind system development to satisfy a greater proportion of Hawaii's energy needs; and
- (3) Adoption by the electric utilities of "green pricing" and other administrative and technological options which facilitate the use of renewable energy systems.

Your Committee has also amended the Concurrent Resolution by extending the deadline for the study from 1995 to 1996, to accommodate the expanded scope of the study.


Your Committee on Science, Technology and Economic Development concurs with the intent and purpose of S.C.R. No. 40, as amended herein, and recommends its adoption in the form attached hereto as S.C.R. No. 40, S.D. 1.

3068

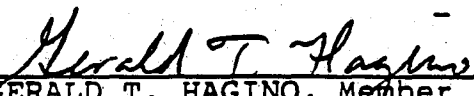
Respectfully submitted,

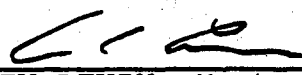

MATT MATSUNAGA, Chair

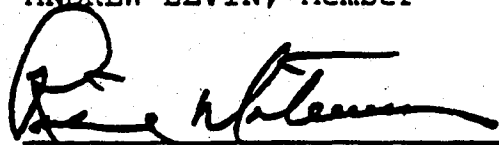

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SENATE CONCURRENT RESOLUTION

REQUESTING A STUDY ON THE FACILITATION OF RENEWABLE ENERGY
RESOURCES UTILIZATION.

1 WHEREAS, the State of Hawaii's potential renewable
2 energy resource base in terms of wind, biomass, ocean,
3 geothermal, and solar is one of the best in the nation; and
4

5 WHEREAS, the utilization of indigenous renewable
6 resources to satisfy the State's energy needs conform to the
7 identified interests of the State with regard to energy
8 self-sufficiency, economic development, environmental quality,
9 sustained agriculture, and the utilization of technology in a
10 culturally and spiritually beneficial manner; and
11

12 WHEREAS, in the late 1970's and early 1980's, the State
13 of Hawaii was among the nation's leaders in recognizing and
14 advancing the values of renewable resources; and
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16 WHEREAS, during this period, the State Plan set a goal
17 of "energy self-sufficiency" through the promotion of the "use
18 of renewable energy sources"; the statutes authorized the PUC
19 to implement this commitment in the planning and pricing of
20 electricity; the State spent more than \$70 million in renewable
21 energy research and conservation development; the utilities
22 committed substantial resources to wind and geothermal
23 programs; and the more than 300 mw hours of electricity
24 generated by the sugar industry placed Hawaii among the
25 nation's leaders in renewable energy generation; and
26

27 WHEREAS, notwithstanding these efforts, objectives,
28 expressed policies, and resource base, the State's dependence
29 upon imported energy supplies increased during the eighties and
30 the reliance on imported energy supplies will increase rather
31 than decrease in the future since there are no significant
32 plans for the utilization of renewable energy; and
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34 WHEREAS, in the late 1980's and early 1990's, other
35 states, such as California, Colorado, Maine, Minnesota, and
36 Iowa, have developed an array of regulatory tools which
37 resulted in the development of substantial amounts of energy
38 from renewable resources; and
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1 WHEREAS, Hawaii has yet to join this second wave of
2 renewable resource energy policy implementation and has not
3 studied or implemented policies, laws, or regulations which are
4 in place in other jurisdictions; and

5
6 WHEREAS, three areas of potential application to Hawaii
7 include: (1) regulatory or statutory incentives for utilities
8 to develop, purchase, and utilize renewable energy sources; (2)
9 the use of wind systems to satisfy a greater proportion of
10 Hawaii's energy needs; and (3) the adoption by electric
11 utilities of "green pricing" and other administrative and
12 technological options which facilitate or use renewable energy
13 systems; and

14
15 WHEREAS, other jurisdictions' regulatory or statutory
16 incentives for the development, purchase, and use of renewable
17 energy sources include: the establishment of renewable energy
18 procurement targets, mandatory renewable set-asides, higher
19 rates of return for renewable investments by utilities,
20 mandating pilot renewable energy projects by utilities, direct
21 economic incentives such as tax incentives, standard contracts
22 or guidelines governing renewable energy purchases by
23 utilities, long term contracts with fixed or predictable
24 payment streams, special rates, and the explicit recognition of
25 external values (externalities); and

26
27 WHEREAS, the 1993 Energy and Environmental summit
28 substantially supported the concept of a production incentive
29 (consisting of monetary incentives and support) to encourage
30 renewable energy development and specific proposals to that
31 effect were developed; and

32
33 WHEREAS, Hawaiian Electric Industries was among the
34 pioneers in the commercial application of windpower as the 1985
35 Hawaiian Electric Renewable Systems program in Kahuku involved
36 the single largest wind turbine in the nation, however, in 1992
37 the program was shut down because of major production
38 shortfalls and reliability problems and millions of dollars
39 were probably lost; and

40
41 WHEREAS, recent national experience has shown that the
42 failure at Kahuku, while a real reflection of the state of the
43 art at the time, is not an accurate indicator of the potential

1 of the resource as recent advances in the technology have cut
2 costs as much as 75 percent and increased reliability by as
3 much as 35 percent; and
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5 WHEREAS, this is reflected by a virtual boom in wind
6 installations and commitments, for example, in the last twelve
7 months, a Washington state utility issued an RFP for 50 mw of
8 wind generated electricity; a Minnesota utility issued an RFP
9 for 50 mw pursuant to a legislative mandate to develop 100 mw
10 as pilot projects; a Texas utility has awarded a 65 mw
11 windpower contract; recent California solicitations resulted in
12 wind project bids exceeding 1,500 mw; a New York Utilities
13 commission docket settlement is likely to result in the
14 mandatory development of 36 mw of wind projects; Wisconsin
15 recently dedicated a 10 mw utility pilot project; Iowa
16 dedicated a 65 mw facility; and Maine awarded a contract for a
17 20 mw facility; and
18

19 WHEREAS, international plans are even more dramatic, for
20 example Quebec has issued a 100 mw RFP; Finland's policy is to
21 increase wind utilization from its current 3.2 mw to 100 mw in
22 the next ten years; and the European community plans to more
23 than quadruple its wind utilization by the year 2000 to
24 approximately 4,000 mw; and
25

26 WHEREAS, these developments have not occurred in a
27 regulatory vacuum but rather because governments have provided
28 mandates and incentives for wind development; and
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30 WHEREAS, in other jurisdictions, electrical utility
31 companies have actively participated in the development and
32 utilization of renewable resources through a number of end
33 user/marketing programs which give the consumer the option of
34 facilitating or using renewable energy systems with the support
35 and assistance of the utility; and
36

37 WHEREAS, such options include:
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- 39 (1) Variations of the "green pricing" concept whereby
40 consumers are given the option of paying a
41 marginally higher rate in exchange for the
42 utility's commitment to utilize the difference to
43 acquire new renewable resources

(e.g. Gainesville (Fla.) Regional Utilities,
Southern California Edison);

- (2) "Off-grid photovoltaics" options whereby certain remote users would be given the option of receiving power from a photovoltaic electrical generating system rather than from an extension of the power grid (Idaho Power Co.);
- (3) "Rooftop/substation photovoltaic applications" whereby combination photovoltaic/storage systems are installed at local substations in order to ensure constant or consistent power to the participating users; and
- (4) Utility supplied "rooftop photovoltaic or solar water" programs whereby photovoltaic or solar water heating systems are purchased by users from the utilities and are paid for through the savings in utility bills;

and

WHEREAS, in addition to end-user based applications and options, there have been developed a number of "niche" applications of renewable on the utility system; and

WHEREAS, such applications include photovoltaic transmission line augmentation, sectionalizing switches, and renewable based small power storage systems; and

WHEREAS, other States, including Colorado and California, have reviewed and adopted appropriate policies related to renewable resources after the opening of informational dockets by utilities commissions; and

WHEREAS, the Legislature finds that it would be consistent with policies and interests of the State of Hawaii for the Hawaii Public Utilities Commission to conduct a systematic public examination of other states' regulatory policies and procedures which facilitate the development and use of renewable resources; and

1 WHEREAS, it is the expectation of the Legislature that
2 subsequent to such an examination the Public Utilities
3 Commission will adopt and implement those policies and
4 procedures which are appropriate to the State of Hawaii's
5 expressed policies and goals; now, therefore,
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7 BE IT RESOLVED by the Senate of the Seventeenth
8 Legislature of the State of Hawaii, Regular Session of 1994,
9 the House of Representatives concurring, that the Public
10 Utilities Commission is requested to, within sixty days of the
11 adoption of this Concurrent Resolution, initiate and establish
12 an informational docket on the facilitation of renewable energy
13 resource utilization; and
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15 BE IT FURTHER RESOLVED that the informational docket
16 shall include, but not be limited to, a comprehensive review
17 of:
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- 19 (1) Regulatory or statutory incentives for utilities
20 to develop, purchase, and utilize renewable energy
21 sources, with particular attention to be paid to
22 the production credit proposal developed by the
23 1993 Energy and Environmental Summit,
24
- 25 (2) The use of wind systems to satisfy a greater
26 proportion of Hawaii's energy needs; and
27
- 28 (3) The adoption by electric utilities of "green
29 pricing" and other administrative and
30 technological options which facilitate or use
31 renewable energy systems;
32

33 and
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35 BE IT FURTHER RESOLVED that the Chair of the Hawaii
36 State Public Utilities Commission shall report the results of
37 the status of the informational docket to the legislature sixty
38 days before the convening of the Regular Session of the 1995
39 Legislature and conclude the study and report on final results
40 sixty days prior to the convening of the Regular Session of the
41 1996 Legislature; and
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43 BE IT FURTHER RESOLVED that the reports shall include
44 (1) a summary of the activities, policies, regulations, and

1 programs examined, (2) identification of those elements which
2 may be applicable to Hawaii and which will or may be adopted or
3 further examined by the Commission, and (3) recommendations for
4 statutory or policy changes which could be implemented by the
5 Legislature; and

6
7 BE IT FURTHER RESOLVED that certified copies of this
8 Concurrent Resolution be transmitted to the Chair of the Hawaii
9 State Public Utilities Commission and the Presidents of each of
10 Hawaii's electric utilities.

I hereby certify that the foregoing is a true and correct
copy of Senate Concurrent Resolution No 40 SD1. ...
which was duly adopted by the Senate of the State of
Hawaii on 4-29-94
with the concurrence of the House of Representatives.
Dated: May 18, 1994


Assistant Clerk of the Senate